



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
LAUREL COUNTY CLERK**

**Calendar Year 1998**

**EDWARD B. HATCHETT, JR.  
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**EXECUTIVE SUMMARY**  
**LAUREL COUNTY**  
**HENRY DEAN JOHNSON, COUNTY CLERK**  
**CALENDAR YEAR 1998**  
**FEE AUDIT**

The report opinion rendered is unqualified.

- Laurel County Clerk Henry Dean Johnson was commended for excellent accounting procedures and record keeping.

- 

There is one comment noted in the comment and recommendation section of the audit report:

- The Clerk Should Have A Written Agreement To Protect Deposits

The report shows excess fees of \$335,563 paid to the fiscal court for calendar year 1998.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES .....	3
NOTES TO FINANCIAL STATEMENT .....	6
COMMENT AND RECOMMENDATION .....	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	15





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmy Williams, Laurel County Judge/Executive

Honorable Henry Dean Johnson, Laurel County Clerk

Members of the Laurel County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Laurel County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset account group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Jimmy Williams, Laurel County Judge/Executive  
Honorable Henry Dean Johnson, Laurel County Clerk  
Members of the Laurel County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Clerk Should Have A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 2000, on our consideration of the County Clerk's compliance with laws and regulations and internal control over financial reporting.

- We would like to commend Laurel County Clerk Henry Dean Johnson for excellent accounting procedures and record keeping.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 28, 2000



LAUREL COUNTY  
HENRY DEAN JOHNSON, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Fees For Services	\$	20,874
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Fiscal Court		13,866
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,383,252
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Usage Tax		5,377,872
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Tangible Personal Property Tax		2,091,841
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Licenses-

Fish and Game		6,466
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Marriage		19,631
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Occupational		939
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Deed Transfer Tax		93,827
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Delinquent Tax		562,335
		9,536,163

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	37,243
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Real Estate Mortgages		63,366
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Chattel Mortgages and Financing Statements		159,532
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Powers of Attorney		2,768
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Liens		12,324
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All Other Recordings		64,922
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Charges for Other Services-

Copywork		17,519
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Other Charges		864
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Overpayments		18,183
		376,721

Other:

Miscellaneous	\$	21
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Postage		1,467
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Interest Earned		13,790
		15,278

Gross Receipts (Carried Forward)	\$	9,962,902
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LAUREL COUNTY  
HENRY DEAN JOHNSON, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1998  
(Continued)

Gross Receipts (Brought Forward) \$ 9,962,902

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,058,945

Usage Tax 5,197,816

Tangible Personal Property Tax 1,014,027

Licenses-

Fish and Game 6,421

Delinquent Tax 90,135

Legal Process Tax 52,253 7,419,597

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 198,812

Delinquent Tax 58,556

Deed Transfer Tax 88,848 346,216

Payments to Other Districts:

Tangible Personal Property Tax \$ 795,311

Delinquent Tax 246,400 1,041,711

Payments to Sheriff 25,549

Payments to County Attorney 98,684

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries \$ 370,732

Overtime Gross 16,431

Employee Benefits-

Employer's Share Social Security 27,282

Employer's Paid Health Insurance 51,567

Other Payroll Disbursements 4,200

LAUREL COUNTY  
HENRY DEAN JOHNSON, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1998  
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Contracted Services-		
Advertising	\$	68
Printing and Binding		5,953
Supplies and Materials-		
Office Supplies		31,052
Telephone		5,956
Contracts		39,128
Other Charges-		
Conventions and Travel		2,455
Dues		1,350
Postage		11,720
Refunds		20,159
Copier Repair		348
Bank Charges		382
Miscellaneous		42,262
		<u>\$ 631,045</u>
Capital Outlay-		
Office Equipment		<u>12,211</u>
Total Disbursements		<u>\$ 9,575,013</u>
Net Receipts	\$	387,889
Less: Statutory Maximum		<u>48,726</u>
Excess Fees	\$	339,163
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 1998	\$	335,563
Payments to County Treasurer - December 31, 1998		<u>335,563</u>
Balance Due at Completion of Audit	\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENT

Calendar Year 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits under the respective fee official.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

LAUREL COUNTY  
NOTES TO FINANCIAL STATEMENT  
Calendar Year 1998  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Note 3. Deposits:

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the County Clerk securing the Clerk's interest in the collateral.

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COMMENT AND RECOMMENDATION





LAUREL COUNTY  
HENRY DEAN JOHNSON, COUNTY CLERK  
COMMENT AND RECOMMENDATION

Calendar Year 1998

STATE LAWS AND REGULATIONS:

The County Clerk Should Have A Written Agreement To Protect Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of December 31, 1998, the County Clerk had bank deposits of \$632,785; FDIC insurance of \$100,000; and collateral pledged or provided of \$1,000,000. Even though the County Clerk obtained sufficient collateral of \$1,000,000, there was no written agreement between the County Clerk and the depository institution, signed by both parties, securing the County Clerk's interest in the collateral. We recommend the County Clerk enter into a written agreement with the depository institution to secure the County Clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*County Clerk's Response:*

*A written agreement has been submitted to the bank and will be approved at the next board meeting.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Jimmy Williams, Laurel County Judge/Executive  
Honorable Henry Dean Johnson, Laurel County Clerk  
Members of the Laurel County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Laurel County Clerk as of December 31, 1998, and have issued our report thereon dated June 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Laurel County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Laurel County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Jimmy Williams, Laurel County Judge/Executive  
Honorable Henry Dean Johnson, Laurel County Clerk  
Members of the Laurel County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 28, 2000

